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September 18, 2013

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H.  
Director and Health Officer

SUBJECT: **INTERIM RESPONSE TO BOARD MOTION REGARDING DRUG  
MEDI-CAL SERVICES**

On July 26, 2013, the Los Angeles County (LAC) Department of Public Health (DPH) notified the Board about the CNN/Center for Investigative Reporting (CIR) series entitled "Rehab Racket," which detailed alleged fraudulent practices of a number of Drug Medi-Cal (DMC) providers in LAC. DPH informed the Board about longstanding concerns regarding the structure and operation of the State DMC program, described actions it had undertaken to minimize the County's financial risk, and provided recommendations to improve the program function and monitoring.

On August 13, 2013, in a motion by Supervisor Zev Yaroslavsky, with amendment by Supervisor Mark Ridley-Thomas, the Board instructed DPH to take the following actions related to the DMC program:

- Develop a protocol for determining the severity of provider deficiencies found during audits and ensure that significant deficiencies are shared with the Chief Executive Officer (CEO) and the Board;
- Work with County Counsel on a plan to avoid and mitigate harmful disruptions in care; and
- Work with the CEO to provide a status report on efforts to re-solicit contracts.

This interim status report includes a response to these actions and additional steps that DPH has taken to improve the DMC program. DPH continues to collaborate with the Auditor-Controller, County Counsel, and the CEO on a more comprehensive report that will be provided in response to your Board motion.

Background on Drug Medi-Cal

The DMC program was established in 1979 to provide medically necessary drug rehabilitation services to welfare recipients and other qualified low-income persons, primarily families with children, pregnant women, people under 21, and the aged, blind, or disabled. It is one of the major sources of funding for substance use disorder (SUD) treatment in LAC.

The DPH Substance Abuse Prevention and Control Program (SAPC) serves as the State subcontractor to implement the DMC program in LAC and receives administrative funds for oversight. These responsibilities are shared with the State Department of Health Care Services (DHCS), the designated "single State agency" for the Medi-Cal program.

#### DPH Actions

Steps being taken to improve the DMC program include:

- 1) **Increased Collaboration with DHCS** - SAPC has begun to collaborate more closely with the State DHCS to improve the DMC program and protect the County from fiscal losses:
  - a) **Provider Audits** – SAPC and DHCS staff have already initiated closer collaboration, with joint audit teams and participation in state fraud investigations. A significant number of providers have already been suspended.
  - b) **Certification of Providers** – The State currently has sole authority to certify providers in California. The County Alcohol and Drug Program Administrators Association of California (CADPAAC) has recommended that the State consider delegating the authority to counties for certification of DMC providers, though this may require a Federal Medicaid waiver. SAPC has sent a letter to the State DHCS requesting the authority to certify DMC programs in LAC.
- 2) **Increased DPH Leadership Involvement** – DPH leadership is assessing and reviewing SAPC processes to identify opportunities for management improvement. DPH's Audit and Investigation staff has been tasked to recommend actions to better integrate best practices from other DPH programs and other sources.
- 3) **Re-Examination of Auditing Team Capacity** – SAPC has not previously incorporated medical personnel or investigators with fraud-related experience in its auditing teams. Consequently, SAPC plans to add medical personnel to assess medical necessity. In the meantime, DPH is intensifying efforts to fill current vacancies in program auditing staffing. SAPC will continue to rely on State DHCS for leadership in fraud investigations.
- 4) **Development of SAPC Reorganization** – DPH is developing a reorganization proposal for the CEO that will incorporate expanded professional personnel with applicable medical and programmatic expertise for enhanced auditing capacity.
- 5) **Development of Severity Index** – SAPC is developing a severity index tool which will identify the levels of deficiency that will be linked to specific disciplinary measures and require notification to DPH Executive Management, the CEO and the Board Offices.
- 6) **Provider Training** – SAPC continues to emphasize outcomes, evidence-based services, and promising practices in provider training as it seeks to expand provider capacity for health care reform. New providers will be offered orientation training and all providers will receive training that clarifies program expectations, reporting requirements, contract auditing processes and the severity index tool.

- 7) **Solicitation of SUD Contract Services** – Since 2009, SAPC released one Rate Study, three Requests for Proposals (RFPs) and one Request for Statements of Qualifications (RFSQ) for other SUD programs. Competitive bidding for all major additional types of SUD services are planned with the exception to date of DMC. However, DPH is strongly in favor of having a limited number of providers for DMC selected through competitive bidding. To date, no California County has competitively bid DMC services. DPH is discussing with DHCS and County Counsel whether DPH can be permitted to implement such a limited DMC provider network. See attached for a listing of SAPC provider solicitations completed and projected.

#### Mitigating Patient Impacts

SAPC utilizes the following standard procedures to avoid or minimize disruption of service for patients:

- 1) **Patient Referral** – Program auditors post signs in English and Spanish at all closed provider locations, listing telephone numbers patients can call for referral assistance. Additionally, SAPC's website (<http://publichealth.lacounty.gov/sapc/findtreatment.htm>) provides listings of active DMC providers. SAPC also uses social media, the SAPC hotline, the 211 LA County information line, and the Community Assessment Service Centers (CASC) to inform patients who need referral assistance. DPH has no information suggesting that there are waiting lists to enroll in programs at operating DMC providers.
- 2) **Patient Files** – Within 24 hours of program closure, SAPC program auditors attempt to contact the provider to schedule a time to obtain patient files for auditing and to provide patients with their files upon request.
- 3) **Youth and Adults on Parole/Probation** – SAPC estimates that approximately 400 patients affected by the suspensions were involved in programs as a result of court supervised drug diversion or as a condition of parole or probation, having self-referred to a DMC provider.

SAPC provided the Department of Children and Family Services (DCFS), the Probation Department (Probation), the CASCs, and the 211 LA County information line a list of active SAPC providers, including DMC agencies. SAPC will continue to update these departments and agencies. None of the providers in the provider networks associated with the collaborative projects with DCFS and Probation have had actions taken against them.

As indicated above, a comprehensive report is being developed in consultation with the Auditor-Controller, County Counsel, and the CEO. If you have any questions or need additional information, please let me know.

JEF:jv  
PH:1308:002

Attachment

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor Controller  
Department of Children and Family Services  
Probation

## ATTACHMENT

### SAPC Actions to Competitively Solicit Contracts for SUD Services

Date	Activity	Status and Impact
August 2011	Adult Outpatient and Residential Substance Abuse Services Rate Study.	Complete. The Rate Study helped SAPC improve contractor accountability through the implementation of standard rates, standards of care, an automated billing and patient tracking system, and a performance-based contracting system.
October 2011	California Work Opportunities and Responsibility to Kids (CalWORKs) Substance Abuse Treatment Program	Complete. Solicitation process was completed and 11 contracts were awarded. Services provided to CalWORKs participants included: outpatient counseling; day care habilitative; residential medical detoxification; and residential treatment.
January 2012	Alcohol and Other Drug Prevention Services	Complete. Solicitation process was completed and awarded 44 contracts for Comprehensive Prevention Services (CPS) and Environmental Prevention Services (EPS).
January 2013	Community Centered Emergency Room Project (formerly known as the Community Transformation Project or CTP)	Complete. Solicitation process was completed and one contract awarded. This project was to solicit provision of community-based prevention services for the homeless population with co-occurring mental health and SUD who frequently used Emergency Department services at LAC+USC Medical Center.
October 2013	RFSQ for Master Agreement for SUD services including outpatient counseling services, day care habilitative services, outpatient narcotic treatment program services, alcohol and drug free living centers, residential treatment services, medication assisted treatment services, and residential detoxification services	In progress. SAPC is currently reviewing proposals and anticipates notifying the Board of results in October 2013. The Master Agreement list will allow us to solicit competitive contracts in a much reduced time period (2-3 months as opposed to 1 year).

Date	Activity	Status and Impact
March 2014	Work Order for AB 109 Program Services	Planned. Will be issued once the Master Agreement list is approved, estimated by October 2013.
August 2014	Work Order for Probation Camp Services	Planned. This Work Order will result in contracts for the provision of SUD treatment services for in-custody youth at select Probation camps in the County.
February 2015	RFP for Prevention's Special Populations	Planned. This RFP will target high-risk and underserved communities in the County, such as the homeless, lesbian/gay/bisexual/transgender, and recent immigrant populations.
November 2015	RFP for General Relief Services	Planned. This RFP will result in contracts for the provision of adult treatment and recovery services for eligible persons throughout the County.
January 2016	RFP for General Programs Treatment Services	Planned. This RFP will focus on block grant funded programs that can provide a safety net for individuals who may not be eligible for any specialty program, such as General Relief, AB 109, etc.
April 2016	RFP for Children and Family Treatment Services	Planned. This RFP will result in contracts for the provision of treatment and recovery services for individuals who need SUD services as part of their family reunification plan. These individuals may have one or more children removed from their custody due to substance abuse.
July 2016	RFP for Family Dependency Drug Court Treatment Services	Planned. This RFP will result in contracts to provide judicial oversight for individuals needing SUD treatment services. Participation and successful completion of the program by a participant may result in family reunification with children.